

**Electronically Recorded**

Official Public Records

*Suzanne Henderson*

Suzanne Henderson

Tarrant County Texas

2008 Oct 14 08:24 AM

Fee: \$ 52.00

Submitter: SIMPLIFILE

**D208392184**

10 Pages

CHESAPEAKE ENERGY CORP.  
ATTN: RECORDING TEAM  
P.O. Box 18496  
Oklahoma City, OK 73154

Submitter: Chesapeake Operating, Inc.

---

DOCUMENT E-RECORDED  
IN THE COUNTY RECORDS

**DO NOT DESTROY**

**WARNING – THIS IS PART OF THE OFFICIAL RECORD**

ELECTRONICALLY RECORDED  
BY SIMPLIFILE

## PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT is made this 12<sup>th</sup> day of August, 2008, by and between WATERCHASE LAND PARTNERS, a Texas general partnership, 2401 Stadium Drive, Fort Worth, Texas 76107, and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma limited liability company, P.O. Box 18496, Oklahoma City, Oklahoma 73154, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

That certain tract of land located in Tarrant County, Texas and more particularly described on Exhibit "A" attached hereto and incorporated herein for all purposes,

(including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 25% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 25% of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file or record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce,

store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved. In the event the leased lands are encumbered by a mortgage, then prior to the payment of any royalties due hereunder, Lessor agrees to obtain a subordination of mortgage, at Lessor's expense, in a form acceptable to Lessee.

15. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of three (3) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease. Addendum 1 containing Special Provisions is attached hereto and incorporated herein for all purposes.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

SS NO. OR TAX ID

WATERCHASE LAND PARTNERS,  
a Texas general partnership

By: Todd Cowan  
Todd Cowan, Partner

By: Cynthia Seger  
Cynthia Seger, Partner

By: Kent Conine  
Kent Conine, Partner

ACKNOWLEDGMENTS

STATE OF TEXAS §  
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 9<sup>th</sup> day of September 2008, by Todd Cowan, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.

Laurie E. Nelson  
Notary Public, State of Texas

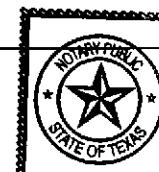


LAURIE E. NELSON  
Notary Public  
STATE OF TEXAS  
My Comm. Exp. 01/19/2009

STATE OF TEXAS §  
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 9<sup>th</sup> day of September 2008, by Cynthia Seger, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.

Laurie E. Nelson  
Notary Public, State of Texas



LAURIE E. NELSON  
Notary Public  
STATE OF TEXAS  
My Comm. Exp. 01/19/2009

STATE OF TEXAS §  
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 10<sup>th</sup> day of September, 2008, by Kent Conine, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.

Nancy S. Finegan  
Notary Public, State of Texas



[Signatures Continue on Following Page]

**LESSEE**

**CHESAPEAKE EXPLORATION, L.L.C.,**  
an Oklahoma limited liability company

By: Cliff J. Merritt, Land Manager - Barnett Shale

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by Cliff J. Merritt, Land Manager - Barnett Shale of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of such entity.

\_\_\_\_\_  
**Notary Public, State of Texas**

**RECORDING INFORMATION**

**STATE OF TEXAS**

County of \_\_\_\_\_

This instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_ M., and duly recorded in

Book \_\_\_\_\_, Page \_\_\_\_\_, of the \_\_\_\_\_ records of this office.

By \_\_\_\_\_  
**Clerk (or Deputy)**

**EXHIBIT "A" TO PAID UP OIL AND GAS LEASE**  
**Property Description**

BEING a 10.022 acre tract of land situated in the William Welch Survey, Abstract No. 1668, City of Fort Worth, Tarrant County, Texas, and being a portion of those certain Lots 1 and 2, Block 2, COTTONWOOD VILLAGE, an addition to the City of Fort Worth, Tarrant County, Texas, according to the Plat recorded in Volume 388-166, Pages 70 and 71, Plat Records, Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8 inch plastic capped iron rod stamped "Transystems Corporation" found for the southeast corner of said Lot 2, and being on the northerly right-of-way line of Cottonwood Village Drive, a 60 foot wide right-of-way, and on the westerly line of the certain tract of land conveyed to Vincenzo Corporation by deed recorded in Document Number D204274282, Deed Records, Tarrant County, Texas, same being a portion of Lot 1, Block 1, The Academy at Waterchase, an addition to the City of Fort Worth, Tarrant County, Texas, according to the Plat recorded in Cabinet A, Slides 4691 and 4692, said Plat Records;

THENCE North 89° 18' 43" West, with said northerly right-of-way line, a distance of 478.10 feet to a 5/8 inch plastic capped iron rod stamped "Transystems Corporation" found for the beginning of a curve to the left, having a radius of 395.00 feet and long chord bearing South 85° 00' 05" West, 78.28 feet;

THENCE with said curve and said northerly right-of-way line, in a westerly direction, through a central angle of 11°22' 25", an arc distance of 78.41 feet to a 5/8 inch plastic capped iron rod stamped "Transystems Corporation" found, being the easterly southeast corner of that certain Lot 1-B, Block 2, Cottonwood Village, an addition to the City of Fort Worth as recorded in Volume 388-187, Page 79, said Plat Records;

THENCE North 43° 45' 10" East, departing said northerly right-of-way line and with the southeasterly line of said Lot 1-B, a distance of 290.88 feet to a 1/2 inch capped iron rod stamped "Everage RPLS 2702" found for the most easterly corner of said Lot 1-B;

THENCE North 46° 14' 50" West, with the northeasterly line of said lot 1-B, a distance of 610.00 feet to a 1/2 inch iron rod stamped "Everage RPLS 2702" found for the most northerly corner of said Lot 1-B, said corner being on the southeasterly right-of-way of Creek Run Road, a 60 foot wide right-of-way;

THENCE North 44° 05' 00" East, with said right-of-way line common to the northwesterly line of said Lot 2, Block 2, a distance of 183.57 feet to a 5/8 inch plastic capped iron rod stamped "Transystems Corporation" found at the easterly terminus of said Creek Run Road and being the northwest corner of said Lot 2, Block 2, said corner being on a southerly line of Lot 1, Block 1, The Links at Waterchase, as recorded in Cabinet A, Slide 5914, Plat records, Tarrant County, Texas;

THENCE North 89° 52' 45" East, with the northerly line of said Lot 2, Block 2, common to said southerly line, a distance of 676.98 feet to a 1/2 inch iron rod found for the northeast corner of said Lot 2, Block 2;

THENCE South 00° 41' 15" West, with the easterly line of said Lot 2, Block 2, and the westerly line of the aforesaid Lot 1, Block 1, The Academy at Waterchase, a distance of 764.22 feet to the POINT OF BEGINNING and CONTAINING 10.022 acres or 436,545 square feet of land, more or less.

*[End of Property Description]*

**ADDENDUM 1**  
**SPECIAL PROVISIONS:**

These Special Provisions were made a part of and incorporated into this Paid Up Oil and Gas Lease (the "Lease") prior to its execution, and shall control any conflict or inconsistency between the terms of the printed Paid Up Oil and Gas Lease and these Special Provisions (the "Rider").

16. The parties hereto agree that nothing contained in the printed form to which this Rider is attached shall in any manner change the provisions of this Rider and if there is a conflict with provisions of the printed Paid Up Oil and Gas Lease and this Rider, the terms of this Rider, shall prevail.

17. Grant. In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land described landing Exhibit "A" which is attached to and incorporated into (the "Lease Premises") in Tarrant County, Texas, for the sole purpose of producing therefrom oil, gas and associated hydrocarbons produced therewith, subject to the rights of any owner of the surface of the Lease Premises.

18. Primary Term. This Lease is for a term of 3 years from the Effective Date hereof (called "Primary Term") and as long thereafter as oil or gas is produced in paying quantities from the Lease Premises, or land pooled therewith.

19. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced therewith through a well bore.

20. Royalty. (a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 1/4 (the "Royalty Fraction") of all oil and other associated liquid hydrocarbons produced and saved from, or attributable to, the Lease Premises. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area of the Lease Premises.

(2) To pay Lessor for gas, including all gases, associated liquid hydrocarbons and their respective constituent elements, casinghead gas, or other gaseous substance produced from, or attributable to, the Lease Premises, and sold in arm length, non-affiliate transactions at points of sale, on or off the Lease Premises, the Royalty Fraction of the proceeds derived from such sale.

(a) It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.

(b) The receipt by Lessee from a purchaser, or a pipeline company, of proceeds of production, for distribution to Lessor, will not result in Lessee's acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Lease Premises, or pipeline company transporting such production, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor, all royalties due Lessor, together with interest of at the maximum rate allowed by law per annum if not timely paid.

21. Surface Use. Lessor does not grant any right to Lessee to use the surface of the Lease Premises for any purpose, and Lessee, for itself and its successors and assigns, waives all rights to use the surface of the Lease Premises for any purpose, but shall have the right to produce oil or gas in or under the Lease Premises, from wells located off the Lease Premises, by directional or horizontal drilling in and under the Lease Premises, in accordance with all applicable governmental rules, regulations or laws.

22. Operations. (a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Lease Premises in commercial quantities, but Lessee has commenced operations for the drilling of a well on lands pooled therewith, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with no cessation of more than ninety (90) cumulative days, and if the operations result in the production of oil or gas in commercial quantities, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: preparation for drilling, drilling, testing, completing, reworking, fracturing, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas with no cessation of more than ninety (90) cumulative days.

(b) If after the expiration of the Primary Term, commercial production from any well shall cease for any cause, Lessee shall have ninety (90) days from the cessation of commercial production to commence, and thereafter prosecute drilling or reworking operations, in a good faith attempt to restore production from the Lease Premises, or lands pooled therewith, with no cessation of more than ninety (90) cumulative days, and if such operations result in production, this Lease shall continue for so long as commercial production in paying quantities continues, or the Lease is otherwise maintained in force by applicable provisions of this Lease.

23. Shut-in Royalty. While there is a gas well on this Lease, or on acreage pooled therewith, capable of producing gas in paying quantities, but gas is not being sold because there is no market, and this lease is not otherwise being maintained in full force and effect, Lessee shall pay or tender in advance an annual shut-in royalty of an amount equal to \$70-\$100 per acre covered by this Lease. Payment with respect to a well will be due within ninety (90) days after the well is shut-in. All subsequent shut-in royalty payments will be due on or before the anniversary date of the date of the first shut-in royalty payment. While shut-in royalty payments are timely and properly paid, this Lease may be held as a producing lease for a period not to exceed one year from the date the well is shut-in. The obligation of Lessee to pay shut-in royalty is a covenant and not a condition and, if Lessee, for any reason, should fail to make a shut-in royalty payment on or before its due date, Lessor shall notify Lessee in writing of such failure and, if the Lease is otherwise in good standing and effect, this Lease shall not terminate as a result of Lessee's failure to make a shut-in royalty payment unless Lessee fails to make such shut-in royalty payment within 30 days from the receipt of written notice from Lessor. The payment or tender of shut-in royalty under this paragraph may be made by the check of Lessee, mailed or delivered to the parties entitled thereto on or before the due date. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to 2 consecutive years or 4 years in the aggregate after the expiration of the Primary Term, at which time this Lease will terminate unless it is kept in force by some other provision of this Lease.

24. Pooling. Lessee shall have the right to pool, as to any one or more formations, the Lease Premises with other land or leases in the vicinity thereof, to form pooled units for the production of oil and gas, or either of them. Units pooled for oil shall not exceed 40 acres, provided that if a governmental authority having jurisdiction requires that a unit for the drilling or operation of a well be larger than those specified hereunder, units created thereafter may conform substantially in size to those required by the governmental authority. If a gas well is a Horizontal Well, as defined in the Rules of the Texas Railroad Commission, the unit shall not exceed 320 acres in total. The unit will become effective when Lessee files in the Real Property Records of Tarrant County, and with the Texas Railroad Commission, a document describing the pooled acreage, and depths, for the pooled unit Lessee shall deliver a copy of the document to Lessor, upon written request. Lessee shall exercise its pooling option before commencing operations on the well located on the unit containing the Lease Premises. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease, shall be considered as operations on or production of oil or gas from the portion of the Lease Premises included in the pooled unit. There shall be allocated to the portion of the Lease Premises

included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit, that the number of surface acres of the Lease Premises included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Lease Premises. If Lessee includes this Lease in a pooled unit, all of the Land covered by this Lease shall be included in such unit, in compliance with the area requirements and limitations set-out in this paragraph. Only with the prior express written consent of Lessor may Lessee have the right to revise any unit formed for horizontal drainhole wells by expansion or contraction, or to amend the Unit Designation or Agreement, such consent shall not be unreasonably withheld.

25. **Warranties.** LESSOR DOES NOT MAKE ANY WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, AND LESSEE ACCEPTS THE LEASE PREMISES AS-IS, AND AGREES THAT THE LEASE PREMISES IS ACCEPTABLE FOR ALL OF LESSEE'S INTENDED USES AND PURPOSES. If Lessor owns an interest in the covered minerals in the Lease Premises, less than the fee simple estate, then the royalties payable hereunder will be reduced proportionately.

26. **Notices.** All notices will be deemed given, and reports will be deemed delivered, if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee, as applicable, at the addresses shown below. Either party may designate a new address by proper notice to the other party.

27. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on any land which is a part of, or a drill site for, any unit which includes the Lease Premises, including any work performed on its behalf by contractors, subcontractors, and others, naming Lessor and related individuals and entities designated by Lessor as additional insureds. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$1,000,000.00.

28. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S OFFICERS, DIRECTORS, PARTNERS, ATTORNEYS, EMPLOYEES, CONTRACTORS, AGENTS, GUESTS, REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR NUISANCE, FOR INJURY TO OR DEATH OF PERSONS, AND FOR LOSS OR DAMAGE TO PROPERTY, OR ANY OF THEM, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RESULTING FROM LESSEE'S OPERATIONS OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ATTRIBUTABLE THERETO, AND FROM ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SHALL SURVIVE THE TERMINATION OF THIS LEASE.

29. **Dispute Resolution.** In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held in Tarrant County, Texas, but either party may file judicial proceedings for equitable relief to prevent irreparable damage and harm, at any time.

30. **Miscellaneous Provisions.** (a) In the event this Lease expires for any reason as to all or any part of the Lease Premises, Lessee shall, within 30 days thereafter, furnish Lessor with a written, recordable release covering all of the Lease Premises.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Texas Railroad Commission, and all applicable federal, state and local environmental laws and regulations.

(d) The terms "production" and "producing" mean production and producing in paying quantities. No obligation of Lessee to pay money under this Lease (that has accrued and was due) will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.

(e) This Lease is binding upon, and for the benefit of, Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

This Rider is executed, incorporated, and ratified as a part of the Lease on the 12<sup>th</sup> day of August, 2008 (the "Effective Date").

LESSOR:

WATERCHASE LAND PARTNERS

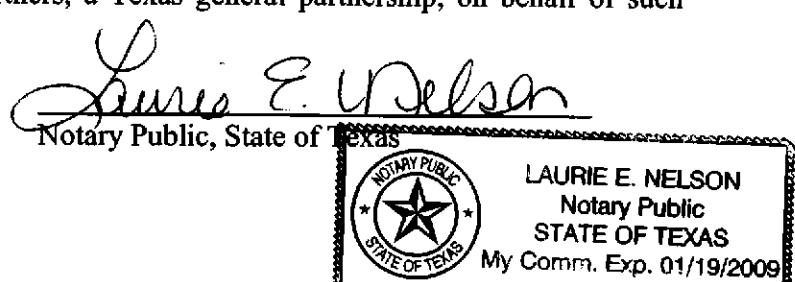
By: Todd Cowan  
Todd K. Cowan, Partner

By: Cynthia Seger  
Cynthia Seger, Partner

By: Kent Conine  
Kent Conine, Partner

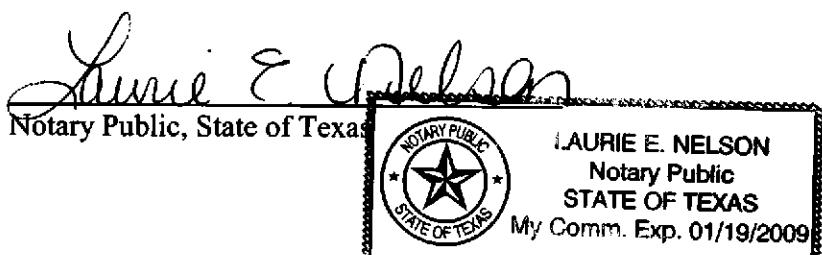
STATE OF TEXAS                §  
COUNTY OF TARRANT        §

This instrument was acknowledged before me on this 9<sup>th</sup> day of September, 2008, by Todd Cowan, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.



STATE OF TEXAS                §  
COUNTY OF TARRANT        §

This instrument was acknowledged before me on this 9<sup>th</sup> day of September, 2008, by Cynthia Seger, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.



STATE OF TEXAS                §  
COUNTY OF TARRANT        §

This instrument was acknowledged before me on this 10<sup>th</sup> day of September, 2008, by Kent Conine, Partner of Waterchase Land Partners, a Texas general partnership, on behalf of such entity.

Nancy S. Finegan  
Notary Public, State of Texas

[Signatures Continue on Following Page]



This Rider is executed, incorporated, and ratified as a part of the Lease as of the Effective Date.

LESSEE:

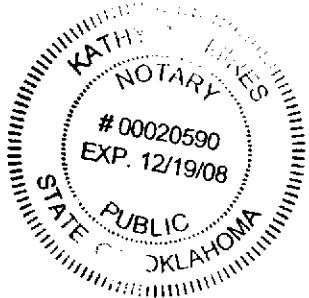
CHESAPEAKE EXPLORATION, L.L.C.,  
an Oklahoma limited liability company

By: Cliff Merritt  
Cliff J. Merritt, Land Manager - Barnett Shale

CK

STATE OF Oklahoma §  
COUNTY OF Oklahoma §

This instrument was acknowledged before me on this 7th day of October, 2008, by Cliff J. Merritt, Land Manager - Barnett Shale of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of such entity.



Kathy M. Merritt  
Notary Public, State of Texas Oklahoma

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154

AFTER RECORDING, PLEASE  
RETURN THIS DOCUMENT TO:

Chesapeake Exploration, L.L.C.  
5701 N. Shartel  
Oklahoma City, Oklahoma, 73118